

## Message Text

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DEPT PASS COMMERCE

E.O. 11652: N/A

TAGS: EIND, OECD

SUBJECT: INDUSTRY COMMITTEE MEETING, MARCH 12-14, 1975

REF: A) IND/A(75)L; B) OECD PARIS 5825;

C) OECD PARIS 4934; D) TOKYO 2909.

1. SUMMARY. INDUSTRY COMMITTEE MET MARCH 12-14. AS BOTH FRANCE AND BELGIUM NOMINATED CANDIDATES FOR VICE-CHAIRMAN, IC DECIDED TO POSTPONE ELECTIONS UNTIL JUNE IC MEETING. DRAFT MANDATES OF FOUR WPS WERE APPROVED. SECRETARIAT INVITED US TO NOMINATE RAW MATERIAL CONSULTANT TO WORK WITH IRON & STEEL WP. IC DECIDED TO ALLOW SECRETARIAT CONSULT WITH EXPERTS TO DELIMIT JAPANESE PROPOSAL AND PREPARE OPTIONS PAPER FOR IC CONSIDERATION AT JUNE MEETING. US DEL MADE STRONG STATEMENT RE LATE ARRIVAL OF DOCUMENTS WHICH OUTGOING CHAIRMAN DRAHOTSKY SUPPORTED. JAMES OWENS, DEPT. OF COMMERCE, LED US DEL. END SUMMARY.

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2. AGENDA ITEMS L-3.

AGENDA ADOPTED AND SUMMARY RECORD APPROVED. SINCE FRANCE AND BELGIUM REFUSED TO WITHDRAW THEIR CANDIDATES FOR CHAIRMAN ON FIRST DAY, CHAIRMAN DRAHOTSKY POSTPONED ELECTION UNTIL FOLLOWING DAY TO ALLOW FOR "ADEQUATE CONSULTATION AND CONSENSUS." CONSENSUS DID NOT EMERGE, FRENCH AND BELGIANS STOOD FIRM, AND SCIENCE & TECHNOLOGY AND INDUSTRY DIRECTOR OSHIMA RECOMMENDED THAT ELECTIONS BE DELAYED UNTIL JUNE TO "ALLOW CAPITALS MORE TIME TO FORMULATE INSTRUCTIONS."

3. AGENDA ITEM 4: REVIEW OF CURRENT SITUATION IN INDUSTRY AND POLICY DEVELOPMENTS.

OVERALL EUROPEAN ASSESSMENT OF THE ECONOMY WAS GLOOMY. PRODUCTION AND GNP DOWN; UNEMPLOYMENT ABOUT 5 PERCENT WITH INFLATION MODERATING. BALANCE OF PAYMENTS OF OECD COUNTRIES IS SLIGHTLY IMPROVED AS A RESULT OF OIL PRICES STABILIZING, LARGE IMPORTS BY OPEC COUNTRIES AND A MILD WINTER. OUTLOOK FOR 1975 IS UNCERTAIN AND LACK OF CONFIDENCE BY BUSINESS AND CONSUMERS WAS NOTED. FINISHED GOODS INVENTORIES ARE HIGH AND SHOULD RESULT IN DECLINING PRODUCTION THE FIRST HALF OF 1975. SOME MEMBER GOVERNMENTS ARE TAKING ACTIONS TO STIMULATE THE ECONOMY WITH INFLATION/RECESSION/UNEMPLOYMENT THE MAJOR CONCERNS.

JAPAN NOTED THAT INDUSTRIAL PRODUCTION AND EMPLOYMENT WAS FALLING. A MOVE WILL BE MADE TO STIMULATE THE ECONOMY AFTER THE SPRING ROUND OF WAGE NEGOTIATIONS. - GERMANY REPORTED THE RECESSION CONTINUES WITH EXPORTS SHOWING SOME DECLINE. UNEMPLOYMENT HIT 5.2 PERCENT, THE HIGHEST IN POST-WAR HISTORY. A PICKUP IS ANTICIPATED IN MID-YEAR. ITALY, AUSTRIA WERE REASONABLY OPTIMISTIC. SWITZERLAND NOTED A RECESSIONARY TREND WAS DEVELOPING AND STEPS WERE BEING TAKEN TO IMPROVE EXPORT FINANCING. PRODUCTION IN YUGOSLAVIA WAS UP 11 PERCENT IN 1974 BUT THE OIL SITUATION IS OF CONCERN. FRANCE STRESSED ITS GAINS FROM INCREASED EXPORTS TO EASTERN EUROPE AND OIL PRODUCING COUNTRIES. FRENCH DEL NOTED DECLINE IN ENERGY CONSUMPTION AND FRANCE'S LONG-TERM ENERGY CONSERVATION POLICIES.

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SWEDEN, FINLAND AND SPAIN WERE RELATIVELY OPTIMISTIC ABOUT ECONOMIC OUTLOOK. DENMARK AND THE NETHERLANDS REPORTED HIGH UNEMPLOYMENT.

4. AGENDA ITEM 5 (I): ADAPTATION PROCESS: DRAFT OUTLINE.

DRAFT OUTLINE FOR REPORT ON INDUSTRIAL ADJUSTMENT PROCESS AND POLICIES WAS APPROVED. FRANCE NOTED, HOWEVER, OUTLINE TOO "DESCRIPTIVE", NOT SUFFICIENTLY ANALYTICAL

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OF "CHANGING BALANCE OF ECONOMIC POWER," NOR REFLECTIVE OF NEW ECONOMIC INTERDEPENDENCE. NORWAY NOTED IMMINENT NORTH SEA OIL PRODUCTION WILL HAVE PROFOUND INFLUENCE ON NORWEGIAN INDUSTRY. US DEL NOTED LATE ARRIVAL OF DSTI/IND/75.03 DID NOT ALLOW TIME FOR REVIEW AND PREPARATION OF US RESPONSE. PER INSTRUCTIONS, US DEL SAID WE COULD NOT AGREE TO ANY ACTION ON THIS ITEM AT THIS MEETING. DRAHOTSKY THEN INVITED INTERESTED DELEGATIONS TO PREPARE WRITTEN COMMENTS ON EFFICACY OF ADJUSTMENT POLICIES AND INVITED SECRETARIAT TO CONSULT ON MATTER WITH PERMANENT DELEGATIONS. HE THEN URGED SECRETARIAT TO COMPLY WITH AGREEMENT TO ISSUE DOCUMENTS 3 WEEKS IN ADVANCE OF MEETINGS.

ITEM 5 (II): JAPANESE PROPOSAL. (DSTI/IND/75.05)

JAPANESE DEL TANABE OFFERED FOLLOWING RATIONALE FOR PROPOSAL: BECAUSE OF INCREASING DEGREE WORLD-WIDE ECONOMIC INTERDEPENDENCE, PRESENT INDUSTRIAL POLICIES MUST BE FRAMED WITH "CLEAREST POSSIBLE UNDERSTANDING OF FUTURE"; PROPOSED STUDY WOULD COMBINE MACRO AND UNCLASSIFIED

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SECTORAL APPROACHES; AND SINCE INDUSTRY IS THE "BONES" (SKELETON) OF OUR SOCIETIES, STUDY SHOULD FOCUS ON ITS COMPONENT PARTS.

TANABE SAID PARTS I AND II OF PROPOSAL ARE REALISTIC "SINCE EPC ALREADY MAKING ONE YEAR PROJECTIONS AND IEA IS PROJECTING UP TO THREE YEARS". THUS INDUSTRY COMMITTEE CAN DO SAME. TO IMPLEMENT PROJECT, JAPANESE RESEARCH INSTITUTE TOGETHER WITH INSTITUTES FROM OTHER COUNTRIES COULD DEVELOP MODEL. DRAHOTSKY SAID WHILE PROPOSAL LOOKS OVERLY AMBITIOUS, OBJECTIVE IS RELATIVELY SIMPLE. NAMELY, PROVIDE DATA-BASE FOR NATIONAL INDUSTRIAL PLANNING. DRAHOTSKY NOTED FEW COUNTRIES HAVE SUCH DATA-BASE BUT MUCH RELEVANT INFORMATION IS AVAILABLE IN IC, OTHER OECD COMMITTEES AND OUTSIDE THE ORGANIZATION. UK DEL NOTED ANY WORK SHOULD REFLECT PROBLEMS OF HARMONIZING DATA DERIVED FROM CENTRALIZED AND FREE MARKET ECONOMIES. HE OBSERVED THAT PROPOSAL EXCEEDS IC MANDATE SINCE MANY OECD COMMITTEES ARE INVOLVED (TRADE, INVESTMENT, EPC, ENERGY), AND SUGGESTED THAT IT BE REFERRED TO "HIGHER OECD BODY" FOR RESOLUTION.

FRANCE AND CANADA STRONGLY SUPPORTED JAPANESE PROPOSAL AND OPPOSED ITS REFERRAL TO HIGHER OECD BODY WHERE IT WOULD BE EXPOSED TO "BUREAUCRATIC/POLITICAL CONSIDERATIONS". OTHER DELS SUPPORTED PROPOSAL WITH VARYING DEGREES OF ENTHUSIASM AND CAVEATS. ITALY NOTED ITS "READINESS TO SUPPORT MAJORITY VIEW".

DRAHOTSKY NOTED IC'S AGREEMENT WITH PROPOSAL'S RATIONALE AND OBJECTIVES, "IF PROPERLY PHASED AND STRUCTURED," AND ASKED SECRETARIAT TO REFINE PARAMETERS OF PROPOSAL'S THREE ELEMENTS, IDENTIFY TYPE AND SOURCE OF INPUTS, AND IDENTIFY ALTERNATIVE ASSUMPTIONS TO BE MADE FOR FORECASTS.

SECRETARIAT CALLED A SPECIAL MEETING OF THOSE COUNTRIES WHICH HAD INDICATED WILLINGNESS TO COOPERATE ON JAPANESE PROPOSAL. JAPAN, FRANCE, GERMANY, SWEDEN, CANADA, AND ITALY ATTENDED. THE US WAS SILENT OBSERVER. UNCLASSIFIED

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DEPUTY DIRECTOR HYLAN LYON CHAIRED MEETING AND STATED HE WOULD HOLD MEETING OF NATIONAL EXPERTS TOGETHER WITH SECRETARIAT ON 17 JUNE 1975, THE DAY BEFORE THE NEXT IC MEETING. THIS GROUP WILL DEFINE PARAMETERS, DATA SOURCES, RESOURCES REQUIRED, ETC., AND PREPARE OPTIONS PAPER FOR JUNE IC MEETING.

5. AGENDA ITEM 6 :INDUSTRIAL POLICY INSTRUMENTS.

BOTH UK AND AUSTRALIA NOTED FACTUAL ERRORS IN THE REPORT. ACTION WAS POSTPONED UNTIL THE JUNE IC MEETING. A GROUP OF EXPERTS WILL MEET IN MAY.

6. AGENDA ITEM 7: ENERGY AND RAW MATERIAL SITUATION.

COMMITTEE REQUESTED SECRETARIAT TO REVIEW FINDINGS AND, TO AVOID DUPLICATION, ASKED SECRETARIAT TO DETERMINE WHAT OTHER COMMITTEES ARE DOING IN FIELD OF ENERGY AND RAW MATERIALS. DETAILED DISCUSSION WAS POSTPONED FOR JUNE MEETING, AND SECRETARIAT WAS ASKED TO RESTRUCTURE REPORT TO FACILITATE ITS UPDATING. FOUR AD HOC WPS WILL REVIEW FINAL DRAFT. IC DECIDED TO

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COORDINATE ITS WORK ON RAW MATERIALS WITH TRADE COMMITTEE.

7. AGENDA ITEM 8: SPECIFIC MANDATES OF THE FOUR AD HOC WORKING PARTIES.

A. ALUMINUM: IT WAS GENERALLY AGREED THAT THIS STUDY WAS MOST IMPORTANT AS THE INDUSTRY NOW FACES WORLD OVERPRODUCTION. DEBATE ENSUED OVER CHANGING THE TERMS OF REFERENCE TO INCLUDE DEMAND AND INVESTMENT INFORMATION. IT WAS NOTED THAT OIL PRODUCING COUNTRIES HAVE PLANNED MAJOR ALUMINUM PRODUCTION FACILITIES. IN THIS CONTEXT JAPAN ASKED FOR INCREASED WORLD COOPERATION AND POLICY COORDINATION. JAPAN ALSO REQUESTED THAT THE STUDY BE EXPANDED TO INCLUDE DEMAND FORECASTS, LOCATION OF FUTURE PLANTS AND SUBSTITUTION BETWEEN STEEL AND ALUMINUM. USDEL NOTED THE REQUIREMENT TO COMPLETE THE STUDY IN 12 MONTHS. THE CHAIRMAN STATED THE REPORT WOULD BE COMPLETED WITHIN THAT TIME-FRAME AND PRESENTED TO THE IC IN FEBRUARY 1976. IT WAS AGREED THAT THE SECRETARIAT WOULD EVALUATE DEMAND AND CHECK ITS FINDINGS  
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WITH THE WP. PART (D) OF THE WORKING PARTY MANDATE WAS REVISED TO PERMIT WORK ON CHANGING LEVELS OF DEMAND AND THEIR EFFECTS ON CAPACITY UTILIZATION AND EMPLOYMENT. SECRETARIAT POINTED OUT THAT THE IC HAD APPROVED AT ITS LAST MEETING THE REPORT ON TRENDS IN THE PRIMARY ALUMINUM INDUSTRY (DIE/IND/AL/74.6 (FINAL)). THE REPORT WILL NOT BE DERESTRICTED.

B. IRON AND STEEL: AFTER PROTRACTED DEBATE ON THE IMPORTANCE OF INVESTMENT INFORMATION, DRAHOTSKY STATED THE WP WOULD CONTINUE TO EXCHANGE THIS INFORMATION. SECRETARIAT STATED THE REPORT WOULD BE COMPLETED IN 12 MONTHS; COMMENTED UPON ITS DIFFICULTY IN HIRING A RAW MATERIALS CONSULTANT, AND SAID SUGGESTIONS FROM THE US RE POSSIBLE CONSULTANTS WOULD BE WELCOME. USDEL NOTED OUR PARTICULAR INTEREST IN DEVELOPMENTS IN THE DIRECT REDUCTION OF IRON ORE. SECRETARIAT ASSURED USDEL THAT STUDY WILL INCLUDE DIRECT REDUCTION.

C. PULP AND PAPER: RECYCLING WILL BE STRESSED AND A CONSULTANT WILL BE HIRED IN RESPONSE TO SECRETARIAT'S

MANPOWER PROBLEMS.

D. TEXTILES: IT WAS NOTED THAT WP WILL CONCENTRATE ON ENERGY AND RAW MATERIALS. RECYCLING WILL BE COVERED IF TIME PERMITS. DRAHOTSKY NOTED THAT GATT IS APPROPRIATE FORUM TO DISCUSS TEXTILE TRADE PROBLEMS.

8. AGENDA ITEM 9: REGIONAL DEVELOPMENT POLICIES.

CHAIRMAN DRAHOTSKY PRAISED EXCELLENT QUALITY OF WP6 DRAFT MEMORANDUM. SWISS AND ITALIAN DELS CONCURRED AND IC RECOMMENDED THAT IT GO TO COUNCIL FOR APPROVAL.

9. AGENDA ITEM 10: NATIONAL FORECASTS.

IC APPROVED DOCUMENT AND RECOMMENDED THAT IT BE FORWARDED TO THE COUNCIL FOR DERESTRICTION.

10. AGENDA ITEM 11: 1976 WORK PLAN.

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COMMITTEE EXCHANGED VIEWS RE GENERAL LINES OF 1976 PROGRAM. PRIORITY WAS GIVEN SUCH ONGOING WORK AS INDUSTRIAL POLICY AND FOUR AD HOC WORKING PARTIES. OTHER DELS AGREED WITH JAPANESE SUGGESTION THAT OTHER INDUSTRIAL SECTORS MAY BE ADDED AS PROBLEMS ARISE. DELEGATES AGREED WITH ITALIAN DEL THAT APPROPRIATE BALANCE SHOULD BE ESTABLISHED BETWEEN THE WORK AND ALLOCATION OF RESOURCES OF THE IC AND SCIENCE & TECHNOLOGY COMMITTEES. IC REQUESTED SECRETARIAT TO PREPARE PAPERS ON WORK OF IEA, COMMITTEE ON ENERGY POLICY, AND JOINT PROJECT PROPOSALS WHICH MAY BE OF MUTUAL INTEREST TO SEVERAL OECD COMMITTEES.

11. AGENDA ITEM 12: OTHER BUSINESS.

NEXT MEETINGS: JUNE 17, 1975, FUTURE INDUSTRIAL STRUCTURES(JAPANESE PROPOSAL)  
JUNE 18-20, INDUSTRY COMMITTEE  
NOVEMBER 19-21, INDUSTRY COMMITTEE

TENTATIVE AGENDA FOR JUNE MEETING:  
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- UPDATED REPORT ON INDUSTRIAL SITUATION;
- ORAL REPORT ON THE JUNE 17 WP MEETING;
- SECRETARIAT PROGRESS REPORT ON ADAPTATION PROCESS AND A PROPOSAL TO ESTABLISH AN EXPERT GROUP;
- REPORT ON REVIEW OF AUSTRALIAN INDUSTRIAL POLICY (CONCLUSIONS);
- REPORT ON INDUSTRIAL POLICY INSTRUMENTS AND COMMENTS BY GROUP OF EXPERTS;
- ENERGY AND RAW MATERIALS REPORT;
- SWEDISH REPORT ON ADAPTATION IN TEXTILE INDUSTRY;
- DRAFT 1976 PROGRAM OF WORK.

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